

RIVERTON CITY CORPORATION
RIVERTON, UTAH
BASIC FINANCIAL STATEMENTS

For The Year Ended June 30, 2005

RIVERTON CITY CORPORATION
TABLE OF CONTENTS
For The Year Ended June 30, 2005

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets.....	11
Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – General fund – Governmental Funds	14
Statement of Fiduciary Net Assets – Fiduciary Fund	15
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund.....	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds.....	19
Notes to Financial Statements	20-45

RIVERTON CITY CORPORATION
TABLE OF CONTENTS
For The Year Ended June 30, 2005

Supplemental Information:

Schedule of Capital Projects – Capital Project Fund	46
Schedule of Revenues, Expenses, and Changes in Fund Balance – Capital Projects – Capital Project Fund	47
Schedule of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual – Capital Projects – Capital Project Fund.....	48
Schedule of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual – All Governmental Funds.....	49
Schedule of Revenues, Expenses, and Changes in Fund Balance – Budget and Actual – General and Special Revenue Funds – Governmental Funds.....	50



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of City Council
Riverton City Corporation
Riverton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary fund, each major fund, and aggregate remaining fund information of Riverton City Corporation, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Riverton City Corporation Utah's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, fiduciary fund, each major fund, and the aggregate remaining fund information of Riverton City Corporation, as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2005 on our consideration of Riverton City Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverton City Corporation's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wiggins & Co. P. C.

Sandy, Utah
November 2, 2005

Riverton City, Utah
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2005

This document provides a narrative discussion and analysis of the financial activities of Riverton City for the fiscal year ended June 30, 2005. Riverton City management encourages readers to consider the statements herein in addition to the comments made here. During fiscal year 2004, the City implemented new financial reporting standards established by GASB (the Government Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements. As a result, much of the information is not easily comparable to previous years. Future reports will include a more extensive prior year comparisons.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion is an introduction to the City's Basic Financial Statements. The Basic Financial statements include three components: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The **government-wide financial statements** are designed to provide readers with a broad overview of Riverton City's finances, in a manner similar to a private-sector business. The government-wide financial statements are comprised of 1.) the Statement of Net Assets and 2.) the Statement of Activities.

The Statement of Net Assets presents information on all of Riverton City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of the City's overall financial condition. However, you will need to consider other no financial factors.

The Statement of Activities helps to identify functions of the City that are primarily supported by tax dollars and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges. Riverton City's business type activities include culinary water, secondary water, sanitation, and street lighting.

The **fund financial statements** provide detailed information about individual major funds and not the city as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. The major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Capital Project Funds, and Impact Fee Funds.
- **Proprietary Funds** – Riverton City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Riverton City uses enterprise funds to account for its Culinary Water, Secondary Water, Sanitation, and Street Lighting.
- **Fiduciary Funds** – A fiduciary fund is used to account for resources held for the benefit of parties outside the government. Riverton City has one fiduciary fund used to account for an employee pension fund.

Notes to the financial statements found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

At the beginning of fiscal year 2005-2006, the Home Depot opened a facility at 13400 South and the Bangerter Highway in Riverton. This is a significant event given the dependence on sales tax that faces each municipality. It is anticipated that this store will generate approximately \$200,000 per year in point of sale sales tax distribution. Home Depot owns additional acreage, which will provide individual pads and the capacity to accommodate other midsize retail box users. To date, a Winger's restaurant has been constructed at this location. A Chili's restaurant and an additional retail building have been approved for construction.

During this fiscal year it is anticipated that construction will begin on a new Wal-Mart Super Center located on the south side of 13400 South at the Bangerter Highway. With an expected first-quarter opening in 2007, this store will bring in an estimated \$400,000 per year point of sale to Riverton City. There are also a significant number of adjacent retail pad sites at this location that will start of fill in with the construction of the Super Center. This will bring additional retail sales tax to Riverton.

A third "big box" is scheduled to be under construction during the fiscal year 2005-2006. Lowes Home Improvement has an anticipated opening date of the first quarter of 2007. This store will bring an estimated \$200,000 additional point of sale tax revenue to the City. As with the other big box sites, there will be ancillary pad site development that will follow Lowes.

The fact that Riverton City is a fast growing community is apparent by the number of building permits issued each year. During fiscal year 2005, 608 residential building permits were issued. The City has several large developments underway, including Monarch Meadows, Western Springs, and Canyonview, along with several smaller developments.

GENERAL FIXED ASSETS AND LONG-TERM DEBT

Riverton City added \$3,310,803 in infrastructure assets for governmental activities during the fiscal year. Current year additions include: \$847,122 in sidewalks; \$341,709 for park projects; \$536,412 for Storm Drains; and \$1,585,560 for Roads. Other current year additions for governmental activities include: \$1,269,017 for property purchases, \$4,389,873 in building improvements; \$231,898 in vehicles and \$486,378 in equipment.

Long-term debt relating to governmental activities of the City includes two capital leases. Both of the capital leases existed prior to fiscal year 2005. Riverton City also has two series of Franchise and Sales Tax Revenue Bonds (2001 and 2004A series). Series 2001 was issued for road construction of 12800 South. Series 2004A was issued for construction of the Civic Center.

The enterprise fund also has bonds outstanding; all of these bonds are water revenue bonds and were issued for construction of the City's secondary water system. The only new debt the City's enterprise fund issued in fiscal year 2005 was a refunding bond series which defeased a portion of the 2000B bond series. Aside from the water revenue bonds, the enterprise fund has one capital lease outstanding for the purchase of sanitation equipment.

GENERAL BUDGETARY HIGHLIGHTS

The following table identifies significant variations between the original and final budget amounts and between the final budget and actual amounts received or expended.

Description	Original Budget	Variance	Final Budget	Variance	Actual	Comments
Revenues						
General Sales & Use Tax	2,252,000	200,000	2,452,000	181,472	2,633,472	Budget too conservative
Class C Road Funds	1,140,000	-	1,140,000	(267,829)	872,171	State over-distributed funds in 04 - corrected in 05
Building Permit Fees	351,900	290,000	641,900	47,535	689,435	budgeted 325 residential permits - actual 608
Plan checking Fees	158,300	140,000	298,300	8,760	307,060	budgeted 325 residential permits - actual 608
Ambulance Fees	40,000	155,000	195,000	4,850	199,850	UFA distributed rev instead of applying to contract
Contributions	900,000	274,000	1,174,000	-	1,174,000	Estate contribution was larger than expected
Park Impact Fees	1,017,360	400,000	1,417,360	298,022	1,715,382	budgeted 325 residential permits - actual 608
Storm Drain Impact Fees	1,499,161	-	1,499,161	(595,431)	903,730	projected commercial dvlpmt did not occur in 05
Road Impact Fees	2,190,593	-	2,190,593	(512,593)	1,678,000	projected commercial dvlpmt did not occur in 05
Meter Set Fees	47,000	-	47,000	73,601	120,601	budgeted 325 residential permits - actual 608
Culinary Water Sales	2,250,000	-	2,250,000	206,394	2,456,394	budgeted 325 residential permits - actual 608
Culinary Impact Fees	383,000	-	383,000	101,620	484,620	budgeted 325 residential permits - actual 608
Secondary Impact Fees	468,000	200,000	668,000	54,800	722,800	budgeted 325 residential permits - actual 608
Expenditures						
Police Services	1,544,538	22,135	1,566,673	137,085	1,703,758	Contract more than was budgeted
Fire Protection	1,100,000	184,000	1,284,000	(105)	1,283,895	Chrged ambulance exp rather than netting rev
Cap Outlay - Park Impact	653,756	942,000	1,595,756	(377,141)	1,218,615	Unfinished Projects 05 will be completed in 06
Cap Outlay - Storm Drain impact	1,666,220	320,000	1,986,220	(1,514,327)	471,893	Unfinished Projects 05 will be completed in 06
Cap Outlay - Roads Impact	2,707,130	29,000	2,736,130	(1,780,016)	956,114	Unfinished Projects 05 will be completed in 06
Cap Outlay - Civic Center	4,200,000	368,000	4,568,000	(19,138)	4,548,862	Increased costs for construction materials
Cap Outlay - Water Facility	650,000	-	650,000	-	650,000	Budgeted project not started until FY 06
Cap Outlay - EDA Projects	900,000	-	900,000	(900,000)	-	Budgeted projects not started until FY 06

Revenues. The majority of revenue variances between the original budget and fiscal year actual were development related. The City's budget was based on 325 residential units, but the actual number of permits pulled was 608. Most of these permits were from two large subdivisions that came on-line for development much quicker than anticipated. While residential development was significantly above projection, commercial development was less than expected.

Expenditures. Both police services and fire protection are contracted services. The variance between budget and actual for public safety occurred because of contract costs that were not budgeted for. The majority of expenditure variances deal with capital projects that were budgeted in fiscal year 04 but either not completed or not yet started until fiscal year 06.

The following tables provide condensed financial information on a government-wide basis comparing fiscal years 2004 and 2005.

Government-wide Financial Statements
Statement of Net Assets Summary
Comparing FY 2004 with FY 2005

	Governmental Activities		Business-Type Activities	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Assets:				
Current assets	6,833,723	5,941,005	3,515,578	2,359,345
Restricted assets	16,673,452	16,391,575	8,203,396	8,542,832
Noncurrent assets	104,233,944	110,183,039	50,166,934	52,086,927
Total assets	<u>127,741,119</u>	<u>132,515,619</u>	<u>61,885,908</u>	<u>62,989,104</u>
Liabilities:				
Current liabilities	2,310,331	2,903,115	2,669,636	1,329,258
Noncurrent liabilities	9,409,016	9,028,194	21,224,411	20,434,572
Total liabilities	<u>11,719,347</u>	<u>11,931,309</u>	<u>23,894,047</u>	<u>21,763,830</u>
Net Assets:				
Invested in capital assets, net of related debt	94,630,619	100,802,036	26,979,920	29,199,278
Restricted	1,390,378	3,069,349		
Unrestricted	20,000,775	16,712,925	11,011,941	12,025,996
Total net assets	<u>116,021,772</u>	<u>120,584,310</u>	<u>37,991,861</u>	<u>41,225,274</u>

Government-wide Financial Statements
Statement of Activities
Comparing Fiscal Year End June 30, 2004 with 2005

	<u>2004</u>	<u>2005</u>
Governmental Activities		
Program revenues:		
Charge for services	\$ 5,100,118	\$ 2,283,721
Operating grants and contributions	1,129,546	875,093
Capital grants and contributions	1,179,734	6,115,555
Total program revenues	<u>7,409,398</u>	<u>9,274,369</u>
General revenues:		
Property taxes	2,501,851	2,638,251
Sales tax	3,699,259	4,160,231
Other grants and contributions	116,378	
Gain on sale of fixed assets	30	287,756
Unrestricted investment earnings	245,905	258,087
Total general revenues	<u>6,563,423</u>	<u>7,344,325</u>
Expenses by function:		
General government	1,963,359	4,842,522
Public safety	3,029,400	4,044,246
Highways and public improvements	3,541,741	1,346,259
Parks and recreation	1,148,283	
Contributions	33,572	
Interest on long-term debt	150,035	676,628
Total expenditures	<u>9,958,867</u>	<u>12,057,938</u>
Change in net assets	4,013,954	4,560,756
Beginning net assets	112,009,600	116,023,554
Ending net assets	<u>\$ 116,023,554</u>	<u>\$ 120,584,310</u>
Business-type Activities		
Revenue by enterprise service:		
Culinary water	\$ 2,956,792	\$ 3,098,870
Secondary water	2,191,290	2,825,637
Sanitation	969,699	1,013,233
Street lighting	450,369	485,330
Other grants and contributions		1,912,101
Gain on sale of fixed assets		3,200
Unrestricted	152,421	233,653
Equity investment	81,381	65,908
Total enterprise revenues	<u>6,801,952</u>	<u>9,637,932</u>
Expenses by enterprise service:		
Culinary water	1,906,260	1,935,572
Secondary water	1,446,503	1,717,635
Sanitation	1,050,489	960,287
Street lighting	495,349	601,880
Interest on long-term debt	1,138,362	1,189,145
Total enterprise expenses	<u>6,036,963</u>	<u>6,404,519</u>
Change in net assets	764,989	3,233,413
Beginning net assets	37,226,872	37,991,861
Ending net assets	<u>\$ 37,991,861</u>	<u>\$ 41,225,274</u>

RIVERTON CITY CORPORATION
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 4,481,445	\$ 24,324	\$ 4,505,769
Investments:			
US Treasury strips	49,597		49,597
Receivables:			
Accounts	332,305	708,565	1,040,870
Property taxes	529,802		529,802
Franchise taxes	225,434		225,434
Intergovernmental	211,979	546,666	758,645
Prepaid expenses	110,443	1,079,790	1,190,233
Total current assets	<u>5,941,005</u>	<u>2,359,345</u>	<u>8,300,350</u>
Restricted assets:			
Cash and cash equivalents	16,391,575	8,542,832	24,934,407
Total restricted assets	<u>16,391,575</u>	<u>8,542,832</u>	<u>24,934,407</u>
Noncurrent assets:			
Equity investment		1,115,022	1,115,022
Corner Canyon investment		117,906	117,906
Capital assets:			
Land	67,925,425	1,738,150	69,663,575
Construction in progress	1,856,740	7,424	1,864,164
Other capital assets net of accumulated depreciation	40,400,874	41,682,716	82,083,590
Investment in shares of water		7,425,709	7,425,709
Total noncurrent assets	<u>110,183,039</u>	<u>52,086,927</u>	<u>162,269,966</u>
Total assets	<u>132,515,619</u>	<u>62,989,104</u>	<u>195,504,723</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,020,803	194,135	1,214,938
Accrued liabilities	901,885	163,987	1,065,872
Internal balances	546,666		546,666
Accrued Interest payable	31,822	51,946	83,768
Bonds payable - due within one year	370,000	888,000	1,258,000
Capital leases payable - due within one year	15,749	20,993	36,742
Compensated absences - due within one year	16,190	10,197	26,387
Total current liabilities	<u>2,903,115</u>	<u>1,329,258</u>	<u>4,232,373</u>
Noncurrent liabilities:			
Bonds payable - due in more than one year	8,950,000	20,372,000	29,322,000
Capital leases payable - due in more than one year	13,432	21,782	35,214
Compensated absences - due in more than one year	64,762	40,790	105,552
Total noncurrent liabilities	<u>9,028,194</u>	<u>20,434,572</u>	<u>29,462,766</u>
Total liabilities	<u>11,931,309</u>	<u>21,763,830</u>	<u>33,695,139</u>
Net Assets:			
Invested in capital assets, net of related debt	100,802,036	29,199,278	130,001,314
Restricted for:			
Class "C" roads	1,828,510		1,828,510
Hardy Park	1,216,895		1,216,895
Art museum	2,855		2,855
Traffic mitigation	21,089		21,089
Unrestricted	16,712,925	12,025,996	28,738,921
Total net assets	<u>\$ 120,584,310</u>	<u>\$ 41,225,274</u>	<u>\$ 161,809,584</u>

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Functions/Programs:	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
Primary government:					Governmental Activities	Business-type Activities
Governmental activities:						Total
General government	\$ 4,842,522	\$ 808,091	\$ 366,987	\$ 366,987	\$ (3,667,444)	\$ (3,667,444)
Public safety	4,044,246	1,327,880	161,171	161,171	(2,555,195)	(2,555,195)
Highways and public improvements	1,346,259	43,335	875,093	2,683,802	2,255,971	2,255,971
Parks and recreation	1,148,283	104,415		2,903,595	1,859,727	1,859,727
Interest on long-term debt	676,628				(676,628)	(676,628)
Total governmental activities	12,057,938	2,283,721	875,093	6,115,555	(2,783,569)	(2,783,569)
Business-type activities:						
Water	1,935,572	3,098,870			1,163,298	1,163,298
Secondary water	1,717,635	2,825,637			1,108,002	1,108,002
Sanitation	960,287	1,013,233			52,946	52,946
Street lights	601,880	485,330			(116,550)	(116,550)
Interest on long-term debt	1,189,145				(1,189,145)	(1,189,145)
Total business-type activities	6,404,519	7,423,070			1,018,551	1,018,551
Total Primary Government	\$ 18,462,457	\$ 9,706,791	\$ 875,093	\$ 6,115,555	(2,783,569)	(1,765,018)
General revenues:						
Property taxes					2,638,251	2,638,251
Sales and franchise taxes					4,160,231	4,160,231
Grants and contributions not restricted to specific programs						1,912,101
Gain on sale of fixed assets					287,756	290,956
Unrestricted investment earnings					258,087	491,740
Equity investment income						65,908
Total general revenues and transfers					7,344,325	9,559,187
Change in net assets					4,560,756	7,794,169
Net assets - beginning					116,023,554	154,015,415
Net assets - ending					\$ 120,584,310	\$ 161,809,584

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
BALANCE SHEET - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Special Revenue	Capital Project Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,733,482	\$	\$ 1,747,963	\$ 4,481,445
Restricted cash and cash equivalents	1,831,365	3,216,991	11,343,219	16,391,575
Investments:				
US treasury strips		49,597		49,597
Corner Canyon				
Receivables:				
Accounts	121,878		210,427	332,305
Property and sales taxes	529,802			529,802
Franchise taxes			225,434	225,434
Intergovernmental	211,979			211,979
Due from other funds	453,334		1,071,741	1,525,075
Prepaid expenses	32,954			32,954
Total assets	<u>\$ 5,914,794</u>	<u>\$ 3,266,588</u>	<u>\$ 14,598,784</u>	<u>\$ 23,780,166</u>
Liabilities:				
Accounts payable	\$ 612,096	\$ 907	\$ 407,800	\$ 1,020,803
Accrued liabilities	917,422		653	918,075
Due to other funds		2,071,741		2,071,741
Total liabilities	<u>1,529,518</u>	<u>2,072,648</u>	<u>408,453</u>	<u>4,010,619</u>
Fund balances:				
Designated for improvements			3,716,213	3,716,213
Reserved-				
Class"C" roads	1,828,510			1,828,510
Hardy Park	1,216,895			1,216,895
Art museum	2,855			2,855
Impact fees			7,844,841	7,844,841
Construction			2,629,277	2,629,277
Mitigation surcharge	21,089			21,089
Unreserved - undesignated	1,315,927	1,193,940		2,509,867
Total fund balances	<u>4,385,276</u>	<u>1,193,940</u>	<u>14,190,331</u>	<u>19,769,547</u>
Total liabilities and fund balances	<u>\$ 5,914,794</u>	<u>\$ 3,266,588</u>	<u>\$ 14,598,784</u>	<u>\$ 23,780,166</u>

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types	\$ 19,769,547
Capitalized prepaid costs of long-term debt	77,489
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$153,500,241 less the accumulated depreciation of \$43,317,202.	110,183,039
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(9,381,003)
Accrued compensated absences	(64,762)
Net assets of governmental activities	<u>\$ 120,584,310</u>

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Special Revenue	Capital Project Fund	Total Governmental Funds
Revenue:				
Property taxes	\$ 1,802,253	\$ 835,998	\$	\$ 2,638,251
Sales taxes	2,633,472			2,633,472
Franchise taxes			1,526,759	1,526,759
Licenses and permits	948,660			948,660
Intergovernmental revenues	887,466			887,466
Charges for services	954,587			954,587
Impact fees			4,422,886	4,422,886
Fines and forfeitures	315,572			315,572
Interest income	194,705	3,518	223,009	421,232
Miscellaneous	39,749	12,780		52,529
Total revenues	7,776,464	852,296	6,172,654	14,801,414
Expenditures:				
Interest, debt service costs, and bond issuance costs		30,000	646,628	676,628
General government	1,765,144	72,773	39,460	1,877,377
Public safety	3,515,833		528,413	4,044,246
Highway and public improvements	1,172,882		173,377	1,346,259
Parks, recreation, and public property	947,211		201,072	1,148,283
Contributions - veterans, art council, and historical society				
Capital outlay	587,263	814,682	7,588,393	8,990,338
Total expenditures	7,988,333	917,455	9,177,343	18,083,131
Excess of revenues over (under) expenditures	(211,869)	(65,159)	(3,004,689)	(3,281,717)
Other financing sources (uses):				
Proceeds from capital leases				
Contributions	1,174,000			1,174,000
Proceed from debt				
Grants			355,524	355,524
Proceeds from sale of assets	9,094	278,662		287,756
Transfers in	806,394		575,000	1,381,394
Transfers out		(477,994)	(903,400)	(1,381,394)
Total other financing sources (uses)	1,989,488	(199,332)	27,124	1,817,280
Excess of revenues and other financing sources over (under) expenditures and other uses	1,777,619	(264,491)	(2,977,565)	(1,464,437)
Beginning fund balance	2,607,657	1,458,431	17,167,896	21,233,984
Fund balance, end of year	\$ 4,385,276	\$ 1,193,940	\$ 14,190,331	\$ 19,769,547

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (1,464,437)
---	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 8,990,338	
Depreciation expense	<u>(3,220,336)</u>	5,770,002

Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets.

Payment of bond principal	210,000	
Capital lease payments	<u>23,705</u>	233,705

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.

137,541

Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources and interest on long-term debt. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of compensated absences and accrued interest on bonds payable.

(116,056)

Changes in net assets of governmental activities

\$ 4,560,756

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 1,763,500	\$ 1,701,500	\$ 1,802,253	\$ 100,753
Sales taxes	2,252,000	2,452,000	2,633,472	181,472
Licenses and permits	559,675	847,675	948,660	100,985
Intergovernmental revenues	1,229,000	1,221,373	887,466	(333,907)
Charges for services	534,750	953,550	954,587	1,037
Fines and forfeitures	212,000	303,000	315,572	12,572
Interest income	150,000	150,000	194,705	44,705
Miscellaneous	32,600	32,600	39,749	7,149
Total Revenues	6,733,525	7,661,698	7,776,464	114,766
Expenditures:				
General Government	1,854,450	1,925,680	1,765,144	160,536
Public Safety	3,180,988	3,401,623	3,515,833	(114,210)
Highway and public improvements	2,035,850	2,034,850	1,172,882	861,968
Parks, recreation, and public safety	979,725	1,022,013	947,211	74,802
Capital Outlay	1,581,400	1,577,400	587,263	990,137
Total expenditures	9,632,413	9,961,566	7,988,333	1,973,233
Excess of revenue over (under) expenditures	(2,898,888)	(2,299,868)	(211,869)	2,087,999
Other financing sources (uses):				
Contributions	900,000	1,174,000	1,174,000	-
Proceeds from sale of assets	600,000	600,000	9,094	(590,906)
Transfers in	706,394	856,394	806,394	(50,000)
Transfers out	(1,775,000)	(1,775,000)	-	1,775,000
Total other financing sources (uses)	431,394	855,394	1,989,488	1,134,094
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ (2,467,494)	\$ (1,434,974)	1,777,619	\$ 3,222,093
Unadjusted beginning fund balance			2,607,657	
Prior period adjustment				
Fund balance, beginning of year			2,607,657	
Fund balance, end of year			\$ 4,385,276	

The accompanying notes are an integral part of these financial statement.

RIVERTON CITY CORPORATION
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND
June 30, 2005

	<u>Trust and Agency</u>
Assets:	
Investments, at fair value:	
Annuity contracts	<u>\$ 1,374,194</u>
Total assets	<u><u>\$ 1,374,194</u></u>
Liabilities	\$ -
Net assets held in trust for annuity benefits	<u>1,374,194</u>
Total liabilities and net assets	<u><u>\$ 1,374,194</u></u>

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
For The Year Ended June 30, 2005

	<u>Trust and Agency</u>
Additions:	
Net change	\$ 167,698
Net assets held in trust for annuity benefits:	
Beginning of year	<u>1,206,496</u>
End of year	<u><u>\$ 1,374,194</u></u>

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	<u>Culinary Water</u>	<u>Secondary Water</u>	<u>Sanitation</u>	<u>Street Lights</u>	<u>Total</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 1,760,608	\$ (1,195,046)	\$ 60,455	\$ (601,693)	\$ 24,324
Prepaid expenses		1,079,790			1,079,790
Receivables:					
Due from (to) other funds	1,300,000		(453,334)	(300,000)	546,666
Accounts	<u>306,510</u>	<u>234,185</u>	<u>113,713</u>	<u>54,157</u>	<u>708,565</u>
Total current assets	<u>3,367,118</u>	<u>118,929</u>	<u>(279,166)</u>	<u>(847,536)</u>	<u>2,359,345</u>
Restricted assets:					
Cash and cash equivalents	<u>1,368,681</u>	<u>7,174,151</u>			<u>8,542,832</u>
Total restricted assets	<u>1,368,681</u>	<u>7,174,151</u>			<u>8,542,832</u>
Noncurrent assets:					
Equity investment			1,115,022		1,115,022
Corner Canyon investment	117,906				117,906
Capital assets:					
Land	548,132	1,158,018		32,000	1,738,150
Construction in process	<u>7,424</u>				<u>7,424</u>
Property and equipment, net of depreciation	<u>11,814,068</u>	<u>24,673,818</u>	<u>67,348</u>	<u>5,127,482</u>	<u>41,682,716</u>
Invested in water shares	<u>465,670</u>	<u>6,960,039</u>			<u>7,425,709</u>
Total noncurrent assets	<u>12,953,200</u>	<u>32,791,875</u>	<u>1,182,370</u>	<u>5,159,482</u>	<u>52,086,927</u>
Total assets	<u>\$ 17,688,999</u>	<u>\$ 40,084,955</u>	<u>\$ 903,204</u>	<u>\$ 4,311,946</u>	<u>\$ 62,989,104</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 34,777	\$ 34,700	\$ 89,443	\$ 35,215	\$ 194,135
Accrued liabilities	13,826	149,860	196	105	163,987
Compensated absences - due within one year	5,814	3,776	370	237	10,197
Accrued interest payable		51,946			51,946
Capital leases payable - due within one year			20,993		20,993
Bonds payable - due within one year		<u>888,000</u>			<u>888,000</u>
Total current liabilities	<u>54,417</u>	<u>1,128,282</u>	<u>111,002</u>	<u>35,557</u>	<u>1,329,258</u>
Noncurrent liabilities - due in more than one year:					
Compensated absences	23,256	15,105	1,481	948	40,790
Capital leases payable			21,782		21,782
Bonds payable		<u>20,372,000</u>			<u>20,372,000</u>
Total noncurrent liabilities	<u>23,256</u>	<u>20,387,105</u>	<u>23,263</u>	<u>948</u>	<u>20,434,572</u>
Total liabilities	<u>77,673</u>	<u>21,515,387</u>	<u>134,265</u>	<u>36,505</u>	<u>21,763,830</u>
Net assets:					
Invested in capital assets, net of related debt	12,835,294	11,479,929	24,573	4,859,482	29,199,278
Unrestricted	<u>4,776,032</u>	<u>7,089,639</u>	<u>744,366</u>	<u>(584,041)</u>	<u>12,025,996</u>
Total net assets	<u>17,611,326</u>	<u>18,569,568</u>	<u>768,939</u>	<u>4,275,441</u>	<u>41,225,274</u>
Total liabilities and net assets	<u>\$ 17,688,999</u>	<u>\$ 40,084,955</u>	<u>\$ 903,204</u>	<u>\$ 4,311,946</u>	<u>\$ 62,989,104</u>

The accompanying notes are an integral part of these financial statement.

RIVERTON CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Culinary Water	Secondary Water	Sanitation	Street Lights	Total
Operating revenues:					
Water sales	\$ 2,456,394	\$ 2,099,327	\$	\$	\$ 4,555,721
Garbage sales			1,013,233		1,013,233
Lighting sales				485,330	485,330
Impact Fees	484,620	722,800			1,207,420
Connection fees	136,966				136,966
Other revenue	20,890	3,510			24,400
Total operating revenues:	3,098,870	2,825,637	1,013,233	485,330	7,423,070
Operating expenses:					
Interest and debt service costs and bond issuance costs					
Salaries and wages	442,256	256,305	42,578	25,644	766,783
Employee benefits	210,650	114,680	21,607	10,087	357,024
Utilities	135,619	126,942		272,253	534,814
Water purchases	204,188	21,357			225,545
Landfill fees			266,804		266,804
Sanitation charges			599,035		599,035
Supplies and maintenance	271,929	98,572	12,119	6,302	388,922
Administrative	52,254	173,794	4,177	1,548	231,773
Depreciation	618,676	925,985	13,967	286,046	1,844,674
Total operating expenses:	1,935,572	1,717,635	960,287	601,880	5,215,374
Excess of revenues over (under) expenditures	1,163,298	1,108,002	52,946	(116,550)	2,207,696
Nonoperating revenues (expenses):					
Interest income	56,003	177,650			233,653
Equity investment income			65,908		65,908
Sale of asset	3,200				3,200
Grants	17,851				17,851
Bond interest expense		(1,189,145)			(1,189,145)
Amortized bond costs					
Capital contributions	777,343	964,407		152,500	1,894,250
Transfer from other fund				250,000	250,000
Transfers to other funds	(250,000)				(250,000)
Total nonoperating revenues (expenses)	604,397	(47,088)	65,908	402,500	1,025,717
Net income	1,767,695	1,060,914	118,854	285,950	3,233,413
Net assets, beginning	15,843,631	17,508,654	650,085	3,989,491	37,991,861
Net assets, ending	\$ 17,611,326	\$ 18,569,568	\$ 768,939	\$ 4,275,441	\$ 41,225,274

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Culinary Water	Secondary Water	Sanitation	St Lights	Total
Cash flows from operating activities:					
Cash received from customers	\$ 2,856,419	\$ 2,794,938	\$ 1,011,816	\$ 482,497	\$ 7,145,670
Cash payments to suppliers for goods and services	(936,218)	(1,604,043)	(1,052,737)	(767,066)	(4,360,064)
Cash payments to employees and professional contractors for services	(450,354)	(261,780)	(43,793)	(26,188)	(782,115)
Net cash provided (used) by operating activities	\$ 1,469,847	\$ 929,115	\$ (84,714)	\$ (310,757)	\$ 2,003,491
Cash flows from capital and related financing activities:					
Equity investment contributions			65,908		65,908
Capital contributions	777,343	964,407		152,500	1,894,250
Subsidy from federal grant	17,851				17,851
Proceeds from long-term debt		3,800,000			3,800,000
Repayment of short-term debt					
Proceeds from lease					
Principal payments on bonds		(4,568,000)			(4,568,000)
Principal payments on notes payable			(20,235)		(20,235)
Interest paid on bonds		(1,189,145)			(1,189,145)
Purchase of equipment / improvements	(933,338)	(823,525)		(974,522)	(2,731,385)
Purchase of other assets					
Purchase of water shares		(844,412)			(844,412)
Proceeds from sale of assets	3,200				3,200
Transfer of assets in				250,000	250,000
Transfer of assets out	(250,000)				(250,000)
Net cash provided (used) by financing activities	(384,944)	(2,660,675)	45,673	(572,022)	(3,571,968)
Cash flows from investing activities:					
Interest from investments	56,003	177,650			233,653
Purchase of investments	(46,300)				(46,300)
Net cash provided (used) by investing activities	9,703	177,650			187,353
Net increase (decrease) in cash	1,094,606	(1,553,910)	(39,041)	(882,779)	(1,381,124)
Cash at beginning of year	2,034,683	7,533,015	99,496	281,086	9,948,280
Cash at end of year	\$ 3,129,289	\$ 5,979,105	\$ 60,455	\$ (601,693)	\$ 8,567,156
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,163,298	\$ 1,108,002	\$ 52,946	\$ (116,550)	\$ 2,207,696
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation	618,676	925,985	13,967	286,046	1,844,674
(Increase) decrease in:					
Assets:					
Accounts receivable	(242,451)	(30,699)	(1,417)	297,167	22,600
Grants receivable					
Deferred charges		(40,261)			(40,261)
Equity investment			(142,569)		(142,569)
Increase (decrease) in:					
Liabilities:					
Accounts payable	(66,496)	(1,020,216)	(6,543)	(777,526)	(1,870,781)
Accrued liabilities	(3,180)	(13,696)	(1,098)	106	(17,868)
Deferred revenue					
Net cash provided (used) by operating activities	1,469,847	929,115	(84,714)	(310,757)	2,003,491

The accompanying notes are an integral part of these financial statements.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Riverton City Corporation (the City) was incorporated on July 3, 1967, as a third class city under the provisions of the State of Utah. The City is a municipal corporation, which operates under an elected mayor – council form of government and provides the following services as authorized by its charter: public safety, highways, recreation, economic development, culinary water, secondary water, sanitation, and street lighting.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, and the City has chosen to do so. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement). Beginning with the fiscal year ending June 30, 2004, the City implemented the statement which made the following significant changes to the City's financial statements (including notes to the financial statements):

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of the ability to exercise oversight is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(A) The Reporting Entity (continued)

The Riverton Art museum at the Crane Home is a legally separate entity from the City with its own 501(c)(3) status and is included as a blended component unit. The City Council appoints members of the board and appropriated money to the board in fiscal year 2005. Its 501(c)(3) status allows the board to apply for other funding. In fiscal year 2005, the board received funds from Salt Lake County ZAP tax and from Stampin' Up. During the audit process, it was noted that the money from ZAP and Stampin' Up was appropriately used and accounted for. The money from the City, however, was used in a manner contrary to the direction of the City Council.

The Riverton City Redevelopment Agency (RDA), an entity legally separate from the City, is governed by the members of the City Council. For financial reporting purposes, the Redevelopment Agency is reported as if it were part of the City's operations because its purpose is to finance and provide redevelopment services to citizens of the City. The RDA is reported as a special revenue fund.

The City is not a component unit of any other entity. The City's basic financial statements include all City operations.

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water, secondary water, sanitation, and street lighting services are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those which are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by enterprise funds or non-expendable trust funds).

The City reports the following major proprietary funds:

The Culinary Water Fund accounts for the activities of the City's culinary water distribution system.

The Secondary Water fund accounts for the activities of the City's secondary water distribution system.

The Sanitation Fund accounts for the activities of the City's sanitation collection operations.

The Street Lighting fund accounts for the activities of the City's street light service operations.

Additionally, the City reports the following fund types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the Riverton City Redevelopment Agency in a special revenue fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the culinary water fund, the secondary water fund, the sanitation fund, and the street lighting fund, are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(D) Budgetary Data

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements –

- (1) Prior to May 1, the City Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.
- (4) The City Manager, has authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
- (5) The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

Formal budgetary integration is employed as a management control device during the year for the general funds, special revenue funds, and capital project funds. In the General fund, budgets are adopted at the functional level and budgetary control is exercised at the departmental level. For special revenue funds, budgets are adopted and control is exercised at the level of total expenditures for each individual fund. For capital project funds, budgets are adopted and control is exercised at the project level.

Annual budgets for the General fund, all special revenue funds (Redevelopment Agency fund), and the capital projects fund were legally adopted by the City and are prepared on the modified-accrual method of accounting.

The City expended \$114,210 more than the budget for public safety.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Budgetary Data (continued)

Encumbrances (commitments related to unperformed purchase orders or contracts for goods or services) are used only as an internal management control device during the year. The City does not have any encumbrances outstanding at year end since appropriations lapse at year end. However, encumbered amounts are generally reappropriated and honored as part of the following year's budget.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

(E) Tax Revenues

The majority of property taxes are collected by the Salt Lake County Treasurer and remitted to the City in installments each fiscal year with a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Utility and Telecommunication taxes are charged to various utility companies doing business within the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has been made for taxes due and payable to the City at June 30th.

(F) Deposits and Investments

Investments of the City are stated at cost. Investments consist of U.S. Treasury Strips held by the Redevelopment Agency, bond reserve accounts, and accounts at the Utah Public Treasurers Investment Trust (the State Treasurer's Pool), in the name of the City and are stated at cost, which approximate fair market value.

The governments' cash and cash equivalents are considered to be cash on hand.

(G) Investment in Joint Venture

The investment in Trans-Jordan Cities Landfill, a 7.39% owned joint venture is accounted for by the equity method of accounting. Under this method, the Sanitation Fund (Enterprise Fund) records its share of the joint venture's net income or loss for each period.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 15
Vehicles	5
System infrastructure	20
Improvements other than buildings	30

(I) Property and Equipment, Proprietary Funds

Property and equipment are stated at cost. Depreciation has been provided using the straight-line method over a period of three to fifty years.

(J) Interest Capitalization

The City capitalizes net interest costs as part of the cost of constructing various utility projects when material.

(K) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash and the State Treasurer's Pool.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at June 30, 2005, consist of property tax, franchise tax, sales tax, grants, and accounts (billings for user charged services, including unbilled utility services). Taxes, grants, and utility charges are deemed collectible in full.

(M) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(N) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then the unrestricted resources as they are needed.

(O) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(P) Compensated Absences

The amount for accumulated vacation leave and comp-time of governmental funds are recorded as a liability in the government-wide statement of net assets. The corresponding expense and expenditures are reported in the government-wide statement of activities. Accumulated vacation leave and comp-time of proprietary funds are recorded as an expense and a liability in those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

(Q) Long-term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(R) Fund Balances – Reserved

Reservations of the fund balance represent amounts that are appropriable and legally segregated for a specific purpose. The reserve fund balance in the General Fund represents a percentage of the surcharges the City collected on traffic violations that the State of Utah has designated to the City to mitigate the cost of traffic overflow through the City of Riverton as a result of the reconstruction of I - 15. The class "C" road funds is reserved for approved projects. The reserved fund balances in the Capital Projects Funds represent impact fees collected and funds reserved for capital project construction. These reserve fund balances are to be used exclusively for future expenditures for the purpose for which the funds were collected.

(S) Fund Balances – Designated

The City Council has elected to designate \$4,966,679 of the unreserved fund balance of the Capital Projects Fund for subsequent years' expenditures on planned construction projects.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Interest earned on these funds is allocated to the funds based on their balances, which relate to pooled cash. Each fund's portion of this pool is displayed on the combined balance sheet. Following are the components of the City's cash and investments at June 30, 2005:

Cash and cash equivalents	\$ 4,505,769
Restricted cash and cash equivalents	24,934,407
Investments	<u>49,597</u>
Total	<u>\$ 29,489,773</u>

Included in the accompanying fund financial statements as follows:

Governmental activities:	
Cash and investments	<u>\$ 20,922,617</u>
Total governmental activities	<u>20,922,617</u>
Business-type activities:	
Cash and investments – enterprise	<u>8,567,156</u>
Total business-type activities	<u>8,567,156</u>
Total cash, cash equivalents and investments	<u>\$ 29,489,773</u>

RIVERTON CITY CORPORATION
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 2 CASH AND INVESTMENTS (Continued)

Deposits

At June 30, 2005, the carrying amount of the City's deposits was \$1,372,373 and the bank balance was \$1,764,702. Of the bank balance, \$202,855 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The Act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Investments

At June 30, 2005, the City's investments balances were as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
U.S. Government Treasury Strips	\$ 49,597	8/15/05	N/A
Utah Public Treasurer's Investment Fund	20,546,667	N/A	Unrated
Investment with Bond Trustee - in Utah State Treasurer's Interest Fund	7,521,511	N/A	Unrated
Total	<u>\$ 28,117,775</u>		

Interest Rate Risk. The City has no policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City invests in the Utah Public Treasurer's Investment Fund which is short term.

Credit Risk. The City has no policy regarding credit risk. The investment in the Utah Public Treasurer's Investment Fund is unrated. These monies are invested primarily in money market securities.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments (continued)

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's \$49,597 investments in U.S. Government Treasurer's Strips are uninsured and uncollateralized investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City has no policy on custodial credit risk.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. The City has no concentration of credit risk.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of the fund shares.

Restricted Assets

Capital Projects Fund – The restricted cash and investments of \$11,343,219 consist of reserves from, impact fees received, and funds for construction to be used only for the purpose defined by contract or under legal provisions.

Special Revenue Fund – The restricted cash and investments of \$3,216,991 from the special revenue fund are shown as restricted assets to be used only for purposes designed by contract or under legal provisions.

Secondary Water Fund – The secondary water fund investments totaling \$7,174,151 are shown as restricted assets to be used only for the purpose defined by contract or under legal provisions.

Culinary Water – The culinary water fund investments totaling \$1,368,681 are shown as restricted assets to be used only for the purpose defined by contract or under legal provisions.

Trans-Jordan Cities Landfill

The Sanitation Fund has a 7.39% ownership in the Trans-Jordan Cities Landfill (Trans-Jordan), which is accounted for by the equity method. In addition to the City, the Trans-Jordan Cities Landfill is owned by the cities of Midvale, Murray, Sandy, South Jordan, West Jordan, and Draper which own 6.02%, 9.72%, 34.27%, 9.53%, 26.45%, and 6.62% of the landfill, respectively. Trans-Jordan Cities Landfill is a separate legal entity and political subdivision of the State of Utah and was formed pursuant to the provisions of the Interlocal Cooperation Act. The City has no firm commitment to make additional equity investments in the Trans-Jordan Cities Landfill.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 3 INVESTMENT IN AND ADVANCES TO JOINT VENTURE (Continued)

Trans-Jordan Cities Landfill (continued)

Trans-Jordan Cities Landfill was formed to construct, operate and maintain a refuse dumping facility. Trans-Jordan is governed by its Board of Directors. Under the organization agreement, the board of directors are appointed by the members. The management is under the board of directors, which elects officers and appoints the management staff.

	<u>Trans-Jordan Cities</u>	<u>Riverton City's Share</u>
Total assets	<u>\$ 19,078,472</u>	<u>\$ 1,409,899</u>
Total liabilities	<u>\$ 3,990,222</u>	<u>\$ 294,877</u>
Total equity	<u>\$ 15,088,250</u>	<u>\$ 1,115,022</u>
Total operating revenues	\$ 5,108,402	\$ 377,511
Total operating expenses	<u>(5,144,530)</u>	<u>(380,181)</u>
Net operating income (loss)	(36,128)	(2,670)
Total non-operating income (expenses)	<u>927,986</u>	<u>68,578</u>
Net income	<u>\$ 891,858</u>	<u>\$ 65,908</u>
Closure and post-closure liability	<u>\$ 3,664,679</u>	<u>\$ 270,820</u>

As part of the purchase of the equity investment in Trans-Jordan for \$26,409,000 the City agreed to pay \$50,000 a year for the next four years starting in fiscal year 1999. The City has fulfilled this obligation to Trans-Jordan as of June 30, 2003. In addition to the above payments, the City will pay the applicable non-member tipping fee for all municipal waste deposited at the Landfill. The difference between the member rate and the non-member rate shall serve as a credit towards the retirement of the purchase amount. Such credits shall commence on July 1, 1997. If at the end of the 15 years from July 1, 1997, the credits have not retired the principal sum, the balance of the purchase price shall be forgiven. When the purchase price is paid in full or forgiven, the City will pay the applicable member rate.

The complete financial statements for Trans-Jordan Cities Landfill for the year ended June 30, 2005, can be obtained from Trans-jordan Cities, 10873 South 7200 West, South Jordan, Utah 84095.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT – ENTERPRISE FUNDS

A summary of the changes in assets at June 30, 2005, and depreciation expense for the Water Utility Fund:

	June 30, 2004	Addition	Deletions	June 30, 2005
Land	\$ 548,132	\$	\$	\$ 548,132
Water shares investment	465,670			465,670
Water distribution mains	17,434,564	802,674		18,237,238
Buildings and structures	131,882			131,882
Construction in process		7,424		7,424
Machinery and equipment	237,885	65,443		303,328
Vehicles	<u>187,057</u>	<u>57,797</u>	<u>(15,022)</u>	<u>229,832</u>
Total	<u>19,005,190</u>	<u>933,338</u>	<u>(15,022)</u>	<u>19,923,506</u>
Less accumulated depreciation	<u>(6,484,559)</u>	<u>(618,676)</u>	<u>15,022</u>	<u>(7,088,213)</u>
Total fixed assets	<u>\$ 12,520,631</u>	<u>\$ 314,662</u>	<u>\$</u>	<u>\$ 12,835,293</u>

A summary of the changes in assets at June 30, 2005, and depreciation expense for the Secondary Water Utility Fund:

	June 30, 2004	Addition	Deletions	June 30, 2005
Land	\$ 1,158,018	\$	\$	\$ 1,158,018
Water shares investment	6,115,627	844,412		6,960,039
Water distribution mains	25,369,314	757,714		26,127,028
Buildings and structures	1,580,515			1,580,515
Vehicles	<u>82,653</u>	<u>65,811</u>		<u>148,464</u>
Total	<u>34,306,127</u>	<u>1,667,937</u>		<u>35,974,064</u>
Less accumulated depreciation	<u>(2,256,204)</u>	<u>(925,985)</u>		<u>(3,182,189)</u>
Total fixed assets	<u>\$ 32,049,923</u>	<u>\$ 741,952</u>	<u>\$</u>	<u>\$ 32,791,875</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 4 PROPERTY, PLANT AND EQUIPMENT – ENTERPRISE FUNDS (Continued)

The following is a summary of changes in assets at June 30, 2005, and depreciation expense for the Sanitation Fund:

	June 30, 2004	Addition	Deletions	June 30, 2005
Machinery and equipment	\$ 17,920	\$	\$	\$ 17,920
Vehicles	<u>85,225</u>	<u></u>	<u></u>	<u>85,225</u>
Total	<u>103,145</u>	<u></u>	<u></u>	<u>103,145</u>
Less accumulated depreciation	<u>(21,830)</u>	<u>(13,967)</u>	<u></u>	<u>(35,797)</u>
Total fixed assets	<u>\$ 81,315</u>	<u>\$ (13,967)</u>	<u>\$</u>	<u>\$ 67,348</u>

A summary of the changes in assets at June 30, 2005, and depreciation expense for the Street Light Fund:

	June 30, 2004	Addition	Deletions	June 30, 2005
Land	\$ 32,000	\$	\$	\$ 32,000
Street Lights	<u>6,098,081</u>	<u>974,523</u>	<u></u>	<u>7,072,604</u>
Total	<u>6,130,081</u>	<u>974,523</u>	<u></u>	<u>7,104,604</u>
Less accumulated depreciation	<u>(1,659,075)</u>	<u>(286,047)</u>	<u></u>	<u>(1,945,122)</u>
Total fixed assets	<u>\$ 4,471,006</u>	<u>\$ 688,476</u>	<u>\$</u>	<u>\$ 5,159,482</u>
Grand totals for enterprise funds	<u>\$ 59,544,543</u>	<u>\$ 3,575,798</u>	<u>\$ (15,022)</u>	<u>\$ 63,105,319</u>
Grand total for accumulated depreciation	<u>\$ (10,421,668)</u>	<u>\$ (1,844,675)</u>	<u>\$ 15,022</u>	<u>\$ (12,251,321)</u>

Depreciation expense was charged to functions/programs of enterprise funds as follows:

Business-type activities:	
Water utility	\$ 618,676
Secondary water utility	925,985
Sanitation	13,967
Street lights	<u>286,047</u>
Total depreciation expense – business-type activities	<u>\$ 1,844,675</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 5 CAPITAL ASSETS

Capital assets for the year ended June 30, 2005, were as follows:

	June 30, 2004	Addition	Deletions	June 30, 2005
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 65,035,744	\$ 454,335	\$ (45,192)	\$ 65,444,887
Land held for resale	2,047,018	814,682	(381,162)	2,480,538
Construction in progress	1,835,263	142,413	(120,936)	1,856,740
Total capital assets not depreciated	<u>68,918,025</u>	<u>1,411,430</u>	<u>(547,290)</u>	<u>69,782,165</u>
Capital assets depreciated:				
Buildings	1,975,945	4,598,823		6,574,768
Building improvements	809,202	188,674		997,876
Improvements	7,324,188	854,381		8,178,569
Machinery and equipment	890,802	10,200	(8,000)	893,002
Vehicles	1,110,525	231,898	(71,500)	1,270,923
Infrastructure: storm drain	15,557,917	536,412		16,094,329
Infrastructure: streets	29,806,667	1,049,128		30,855,795
Infrastructure: curb and gutter	7,984,862	345,725		8,330,587
Infrastructure: sidewalks	10,020,830	501,397		10,522,227
Total capital assets depreciated	<u>75,480,938</u>	<u>8,316,638</u>	<u>(79,500)</u>	<u>83,718,076</u>
Less accumulated depreciation for:				
Buildings	786,477	135,347		921,824
Building improvements	83,829	40,190		124,019
Improvements	1,717,544	295,947		2,013,491
Machinery and equipment	547,158	82,389	(8,000)	621,547
Vehicles	673,575	108,719	(60,151)	722,143
Infrastructure: storm drain	6,058,455	402,358		6,460,813
Infrastructure: streets	23,313,405	1,526,928		24,840,333
Infrastructure: curb and gutter	3,103,460	277,686		3,381,146
Infrastructure: sidewalks	3,881,116	350,770		4,231,886
Total accumulated depreciation	<u>40,165,019</u>	<u>3,220,334</u>	<u>(68,151)</u>	<u>43,317,202</u>
Total capital assets depreciated, net	<u>35,315,919</u>	<u>5,096,304</u>	<u>(11,349)</u>	<u>40,400,874</u>
Governmental activities capital assets, net	<u>\$ 104,233,944</u>	<u>\$ 6,507,734</u>	<u>\$ (558,639)</u>	<u>\$ 110,183,039</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 5 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General government		\$ 208,351
Public safety		58,146
Highways and public improvements		2,767,177
Parks, recreation and public property		<u>186,662</u>
Total depreciation expense – governmental activities		<u>\$ 3,220,336</u>

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2005, is as follows:
Due to/from primary government and component units:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General fund	Sanitation fund	\$ 453,334
Culinary water fund	Redevelopment agency	1,000,000
REDIIF	Redevelopment agency	<u>1,071,741</u>
	Total	<u>\$ 2,525,075</u>

The purpose of the transfers was to provide cash flow and pay operating expenses.

NOTE 7 ACCRUED COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation time which will be paid to employees upon termination. Accumulated sick leave is not paid to City employees upon termination. At June 30, 2005, a current liability of \$16,190 and \$10,197 has been accrued in the general governmental activities and the business-type activities, respectively for accrued vacation time. The non-current portion of compensated absences in the amount of \$64,762 has been accrued in the General governmental activities. The non-current portion of compensated absences in the amount of \$40,790 has been accrued in the business-type activities.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 8 LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the City for the fiscal year ended June 30, 2005:

	<u>June 30,</u> <u>2004</u>	<u>Addition</u>	<u>Deletions</u>	<u>June 30,</u> <u>2005</u>
General governmental activities:				
Compensated absences	\$ 60,156	\$ 4,606	\$	\$ 64,762
Capital lease obligations	52,886		(23,705)	29,181
Revenue bonds payable	<u>9,530,000</u>	<u>0</u>	<u>(210,000)</u>	<u>9,320,000</u>
Total governmental activities				
long-term debt	<u>\$ 9,643,042</u>	<u>\$ 4,606</u>	<u>\$ (233,705)</u>	<u>\$ 9,413,943</u>
Business-type activities:				
Capital lease obligation	\$ 63,010	\$	\$ (20,235)	\$ 42,775
Compensated absences	36,636	14,351		50,987
Revenue bonds	<u>22,028,000</u>	<u>3,800,000</u>	<u>(4,568,000)</u>	<u>21,260,000</u>
Total business-type activities				
long-term debt	<u>\$ 22,127,646</u>	<u>\$ 3,814,351</u>	<u>\$ (4,588,235)</u>	<u>\$ 21,353,762</u>

Capital Lease Obligations

The City entered into a lease agreement during the fiscal year ending June 30, 2003, with an interest rate of 3.75%. Proceeds of this lease agreement amounted to \$129,650 and were part of the financing of General Fund assets (equipment) in the amount of \$47,136 and Sanitation Fund assets (equipment) in the amount of \$82,514.

The City entered into a lease agreement during the fiscal year ending June 30, 2003, with an interest rate of 8.354%. Proceeds of this lease were \$13,600 and were used to finance a copy machine.

The future minimum lease obligations and the present value of these minimum lease payments as of June 30, 2005 are as follows:

2006	\$ 40,522
2007	<u>36,510</u>
Total minimum lease payments	77,032
Less: amount representing interest	<u>5,200</u>
Present value of minimum lease payments	<u>\$ 71,832</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

Defeased Bonds

The City defeased \$5,160,000 (a portion) of the Series 2000B Water Revenue and Refunding Bonds. This portion of the 2000B Series Revenue Bonds was defeased by placing a portion of the proceeds from the Series 2004 Water Revenue Refunding Bonds in an irrevocable trust to provide for all future debt service payments on this portion of the defeased bonds. The principal amount outstanding as of March 29, 2004, of the 2000B Series Water Revenue and Refunding bonds was \$12,795,000. The difference between the cash flow required to service the old debt (defeased) and the new debt (Series 2004 Water Revenue Refunding Bonds) will save \$259,937 which was an economic gain of \$195,220.

The City defeased \$3,685,000 (a portion) of the Series 2000B Water Revenue and Refunding Bonds. This portion of the 2000B Series Revenue Bonds was defeased by placing a portion of the proceeds from the Series 2005 Refunding Bonds in an irrevocable trust to provide for all future debt service payments on this portion of the defeased bonds. The principal amount outstanding as of April 28, 2005, of the 2000B Series Water Revenue and Refunding Bonds was \$7,165,000. The difference between the cash flow required to service the old debt (defeased) and the new debt (Series 2005 Refunding Bonds) will save \$200,517 which was an economic gain of \$144,013.

After the above two defeased portions, the remaining principal amount of the Series 2000B Water Revenue and Refunding Bonds outstanding as of June 30, 2005, was \$3,480,000.

Bonds Payable

In March 2000, the City issued zero interest Taxable Water Revenue Bond Series 2000A for \$1,500,000. Principal installments began March 1, 2001, and are payable on March 1 of each year thereafter, maturing with the March 2020 payment.

In September 2000, the City issued Tax Exempt Water Revenue Bond Series 2000B for \$14,000,000. Payments began March 1, 2003, principal due annually on September 1 and interest being due semi-annually at 4.30% to 5.60%, maturing with the September 1, 2020, payment.

In December 2001, the City issued Franchise and Sales Tax Bond Series 2001 for \$5,720,000. Payments began June 1, 2003, principal due annually on December 1 and interest being due semiannually at 4% to 5%, maturing with the December 1, 2022, payment.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (continued)

In December 2002, the City issued Water Revenue Bonds Series 2003 for \$7,500,000. Payments began September 1, 2003, principal due annually on September 1 and interest being due semiannually at 2.5% to 4.6%, maturing with the September 1, 2022, payment.

In March 2004, the city issued Water Revenue Refunding Bonds Series 2004 for \$5,900,000. Payments began September 1, 2004, principal due annually on September 1 and interest being due semiannually at 2.25% to 3.8% maturing with the September 1, 2018, payment.

In March 2004, the City issued Franchise and Sales Tax Bonds Series 2004A for \$4,080,000. Payments began December 1, 2004, principal due annually on December 1 and interest being due semiannually at 2.0% to 4.4%, maturing with the December 1, 2024, payment.

On April 28, 2005, the City issued Water Revenue Refunding Bonds Series 2005 for \$3,800,000. Payments began September 1, 2005, principal due annually on September 1 and interest being due semiannually at 3.0% to 5.0%, maturing with the September 1, 2020, payment.

The annual requirement to amortize all Water Revenue Bonds Series 2000A outstanding as of June 30, 2005, is as follows:

Year Ending June 30,	Taxable Water Revenue Bond Series 2000A Principal
2006	\$ 68,000
2007	78,000
2008	78,000
2009	78,000
2010	<u>78,000</u>
Total	380,000
2011 – 2015	390,000
2016 – 2020	<u>390,000</u>
	<u>\$ 1,160,000</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (continued)

The annual requirement to amortize all the Water Revenue Bonds Series 2000B outstanding as of June 30, 2005, is as follows:

<u>Year Ending June 30,</u>	<u>Tax Exempt Water Revenue Bond Series 2000B</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 485,000	\$ 626,384
2007	545,000	602,815
2008	570,000	577,028
2009	600,000	549,675
2010	<u>625,000</u>	<u>520,731</u>
Total	2,825,000	2,876,633
2011 – 2015	655,000	490,004
2016 – 2020 (Defeased)	-0-	-0-
2021 – 2024 (Defeased)	<u>-0-</u>	<u>-0-</u>
	<u>\$ 3,480,000</u>	<u>\$ 3,366,637</u>

The annual requirement to amortize all the Franchise and Sales Tax Bonds Series 2001 outstanding as of June 30, 2005, is as follows:

<u>Year Ending June 30,</u>	<u>Bond Series 2001</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 220,000	\$ 227,775
2007	225,000	218,575
2008	235,000	209,015
2009	240,000	198,905
2010	<u>250,000</u>	<u>188,130</u>
Total	1,170,000	1,042,400
2011 – 2015	1,420,000	751,786
2016 – 2020	1,795,000	352,096
2021 – 2023	<u>855,000</u>	<u>11,000</u>
	<u>\$ 5,240,000</u>	<u>\$ 2,157,282</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (continued)

The annual requirement to amortize all the Water Revenue Bonds Series 2003 outstanding as of June 30, 2005, is as follows:

<u>Year Ending June 30,</u>	Bond Series 2003	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 285,000	\$ 266,150
2007	290,000	258,962
2008	300,000	251,587
2009	310,000	243,188
2010	<u>320,000</u>	<u>233,337</u>
Total	1,505,000	1,253,224
2011 – 2015	1,770,000	981,129
2016 – 2020	2,165,000	588,600
2021 – 2023	<u>1,550,000</u>	<u>107,650</u>
	<u>\$ 6,990,000</u>	<u>\$ 2,930,603</u>

The annual requirement to amortize all the Water Revenue Refunding Bonds Series 2004 outstanding as of June 30, 2005, is as follows:

<u>Year Ending June 30,</u>	Water Revenue Refunding Bonds Series 2004	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 55,000	\$ 204,481
2007	55,000	203,224
2008	55,000	201,986
2009	60,000	200,655
2010	<u>60,000</u>	<u>199,118</u>
Total	285,000	1,009,464
2011 – 2015	1,780,000	917,469
2016 – 2019	<u>3,765,000</u>	<u>286,593</u>
	<u>\$ 5,830,000</u>	<u>\$ 2,213,526</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

Bonds Payable (continued)

The annual requirement to amortize all the Franchise and Sales Tax Bonds Series 2004A outstanding as of June 30, 2005, is as follows:

Year Ending June 30,	Bond Series 2004A	
	Principal	Interest
2006	\$ 150,000	\$ 149,106
2007	150,000	146,106
2008	155,000	142,669
2009	160,000	138,731
2010	<u>160,000</u>	<u>134,531</u>
Total	775,000	711,143
2011 – 2015	900,000	577,888
2016 – 2020	1,080,000	395,251
2021 – 2025	<u>1,325,000</u>	<u>150,628</u>
	<u>\$ 4,080,000</u>	<u>\$ 1,834,910</u>

The annual requirement to amortize all the Water Revenue Refunding Bonds Series 2005 outstanding as of June 30, 2005, is as follows:

Year Ending June 30,	Water Revenue Refunding Bonds Series 2005	
	Principal	Interest
2006	\$ 50,000	\$ 144,480
2007	10,000	170,900
2008	10,000	170,600
2009	15,000	170,206
2010	<u>15,000</u>	<u>169,719</u>
Total	100,000	825,905
2011 – 2015	1,545,000	668,013
2016 – 2020	1,050,000	512,500
2021 – 2022	<u>1,105,000</u>	<u>27,625</u>
	<u>\$ 3,800,000</u>	<u>\$ 2,034,043</u>

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 9 RETIREMENT PLANS

Plan Description

The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, which are for employers without Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake city, UT 84102 or by calling (800) 365-8772.

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part of which may be paid by the employer) to the respective systems to which they may belong which is 6.00% to the Contributory System. The City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory and 11.09% to the Noncontributory. The contribution rates are the actuarially determined rates. The contribution requirements of the systems are authorized by statute and specified by the board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2005, 2004 and 2003 were \$5,086, \$4,198, and \$3,805, respectively. The salaries subject to retirement contributions for the same periods were \$46,656, \$44,514, and \$44,766 respectively. The Noncontributory System contributions for June 30, 2005, 2004, and 2003 were \$251,889, \$206,335 and \$175,166, respectively. The salaries subject to noncontributory contributions were \$2,271,311, \$2,144,867, and \$2,015,716 respectively. The contributions were equal to the required contributions for each year.

IRS Code Section 401(k) Plan

The City also participates in a defined contribution 401(k) Plan. Contributions may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Employer paid contribution for the years ended June 30, 2005, 2004, and 2003 were \$23,731, \$19,350, and \$21,553 respectively.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 9 RETIREMENT PLANS (Continued)

IRC Code Section 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Employer paid contribution for the years ended June 30, 2005, 2004, and 2003 were \$23,900, \$21,218, and \$22,013 respectively.

Annuity

The City purchased an annuity for qualified full-time employees. The assets of the annuity are agency funds held for the respective employees and do not belong to the member participants until the funds are disbursed to them. The City expenses the contributions as they are paid monthly. The total net changes for the year ended June 30, 2005, were \$167,698.

NOTE 10 INTERFUND TRANSFERS

Individual fund operating transfers for fiscal year 2005 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 806,394	\$ 903,400
Capital projects funds	575,000	-0-
Proprietary funds	<u>375,555</u>	<u>853,549</u>
Total All Funds	<u>\$ 1,756,949</u>	<u>\$ 1,756,949</u>

Management and the City Council made the transfers for capital projects and cash flows needs of the other funds for the year ended June 30, 2005.

NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government participates in the state risk pool. The government is also covered by worker's compensation insurance for risk of loss involving employees, which premiums are based on work risk factors and experience.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 12 REDEVELOPMENT AGENCY

In accordance with Utah State law, the City makes the following disclosures relative to the Riverton City Redevelopment Agency (RDA): The RDA collected \$835,998 of tax increment monies for its project areas of which \$50,000 was paid to developers of the projects. None of these funds were paid out to any taxing agency. The RDA has no outstanding bonds or other loans incurred to finance costs associated with its project area. During 2005, the RDA expended \$814,682 for property acquisitions and site improvements, and \$52,987 for administrative costs.

NOTE 13 LAND HELD FOR RESALE

Land acquired by the Redevelopment Agency of Riverton City (a Special Revenue fund) and held for resale is accounted for as land held for resale in the Capital Assets. The cost of land held for resale is capitalized until the land is sold. Land transferred from infrastructure assets of the City is recorded at a nominal amount for accountability purposes. If the Redevelopment Agency sells land at an amount greater than or less than the carrying amount, the resulting gain/loss is accounted for as another financing source/use. Gains and losses on sale of land held for resale are recognized when measurable and available.

NOTE 14 COMMITMENTS

Redevelopment Agency

The Redevelopment Agency, a component unit, has entered into an agreement with a developer to pay \$50,000 per year over ten years for improvements made on property in the RDA. The commitment is to be recovered with tax increment revenue. The remaining commitment at June 30, 2005, is \$100,000.

NOTE 15 CUSTOMER DEPOSITS

Customer deposits are principally deposits from customers that are held by the City for water connections until such time for refund is warranted.

NOTE 16 CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

RIVERTON CITY CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 17 GRANTS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the City's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable funds. Based on prior experience, the City administration believes such disallowance, if any, would be immaterial.

SUPPLEMENTAL INFORMATION

RIVERTON CITY CORPORATION
SCHEDULE OF CAPITAL PROJECTS - CAPITAL PROJECT FUND
June 30, 2005

	Parks	Community Fire	Storm Drain	Community Road Impact	Capital Projects Fund	Civic Center	Underground Utilities	REDIF	Total Capital Project Fund
Assets:									
Current assets:									
Cash and cash equivalents	\$	\$	\$	\$	\$ 2,220,979	\$ (1,940,016)	\$ 1,467,000	\$	\$ 1,747,963
Receivables:									
Accounts				6,213		204,214		225,434	210,427
Franchise taxes								1,071,741	225,434
Due from other funds									1,071,741
Total current assets					2,220,979	(1,735,802)	1,467,000	1,297,175	3,255,565
Restricted assets:									
Cash and cash equivalents	1,382,038	1,552,233	1,942,645	3,338,800		1,765,299		1,362,204	11,343,219
Total restricted assets	1,382,038	1,552,233	1,942,645	3,338,800	-	1,765,299	-	1,362,204	11,343,219
Total assets	\$ 1,382,038	\$ 1,552,233	\$ 1,942,645	\$ 3,345,013	\$ 2,220,979	\$ 29,497	\$ 1,467,000	\$ 2,659,379	\$ 14,598,784
Liabilities:									
Current liabilities:									
Accounts payable	\$ 200,646	\$ 490	\$ 16,608	\$ 159,344	\$	\$ 1,263	\$	\$ 29,449	\$ 407,800
Accrued liabilities								653	653
Due to other funds	200,646	490	16,608	159,344	-	1,263	-	30,102	408,453
Total current liabilities	200,646	490	16,608	159,344	-	1,263	-	30,102	408,453
Total liabilities									
Designated for improvements					2,220,979	28,234	1,467,000		3,716,213
Reserved for:	1,181,392	1,551,743	1,926,037	3,185,669				2,629,277	7,844,841
Impact fees									2,629,277
Construction									14,190,331
Total net assets	1,181,392	1,551,743	1,926,037	3,185,669	2,220,979	28,234	1,467,000	2,629,277	14,190,331
Total liabilities and net assets	\$ 1,382,038	\$ 1,552,233	\$ 1,942,645	\$ 3,345,013	\$ 2,220,979	\$ 29,497	\$ 1,467,000	\$ 2,659,379	\$ 14,598,784

RIVERTON CITY CORPORATION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS - CAPITAL PROJECT FUND
For The Year Ended June 30, 2005

	Parks	Community Fire	Storm Drain	Community Road Impact	Capital Projects	Civic Center	Underground Utilities	REDIIF	Total Capital Project Fund
Revenue:									
Property taxes									
Sales taxes									
Franchise taxes									
Licenses and permits									
Intergovernmental revenues									
Charges for services	1,715,382	125,774	903,730	1,678,000				1,526,759	1,526,759
Impact fees									
Fines and forfeitures	14,213	35,397	46,268	55,804		59,864		11,463	4,422,886
Interest income									223,009
Miscellaneous									
Total revenue	1,729,595	161,171	949,998	1,733,804		59,864		1,538,222	6,172,654
Expenditures:									
Interest and debt service costs and bond issuance costs									
General government									646,628
Public safety		528,413	13,744	37,543				646,628	39,460
Highway and public improvements	201,072								528,413
Parks, recreation and public property	1,198,994		458,149	918,572		4,737,536		122,090	173,377
Capital outlay								275,142	201,072
Total expenditures	1,400,066	528,413	471,893	956,115		4,737,536		1,083,320	9,177,343
Excess of revenue over (under) expenditures	329,529	(367,242)	478,105	777,689		(4,677,672)		454,902	(3,004,689)
Other financing sources (uses):									
Grant - CDBG									204,214
Grant - Weapons of Mass Destruction									151,310
Transfers in									575,000
Transfers out	(45,400)				(858,000)				(903,400)
Total other financing sources (uses)	(45,400)	-	-	-	(858,000)	930,524	-	-	27,124
Excess revenue and other financing sources over (under) expenditures and other uses	284,129	(367,242)	478,105	777,689	(858,000)	(3,747,148)	-	454,902	(2,977,565)
Fund balances - beginning	897,263	1,918,985	1,447,932	2,407,980	3,078,979	3,775,382	1,467,000	2,174,375	17,167,896
Fund balances - ending	1,181,392	1,551,743	1,926,037	3,185,669	2,220,979	28,234	1,467,000	2,629,277	14,190,331

RIVERTON CITY CORPORATION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS - CAPITAL PROJECT FUND
For The Year Ended June 30, 2005

	Capital Project Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Franchise taxes	\$ 1,045,000	\$ 1,526,759	\$ 481,759
Impact fees	5,246,831	4,422,886	(823,945)
Interest income	70,000	223,009	153,009
Total revenues	6,361,831	6,172,654	(189,177)
Expenditures			
Interest, debt service costs, and bond issuance costs	650,000	646,628	3,372
General government	58,960	39,460	19,500
Public safety	1,873,000	528,413	1,344,587
Highway and public improvements	2,010,000	173,377	1,836,623
Parks, recreation, and public property	474,000	201,072	272,928
Capital outlay	11,268,786	7,588,393	3,680,393
Total expenditures	16,334,746	9,177,343	7,157,403
Excess of revenues over (under) expenditures	(9,972,915)	(3,004,689)	8,917,095
Other financing sources (uses):			
Proceeds from debt			
Proceeds from grants	391,000	355,524	(35,476)
Transfers in	785,000	575,000	(210,000)
Transfers out	(1,163,400)	(903,400)	260,000
Total other financing sources (uses)	12,600	27,124	702,594
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ (9,960,315)	(2,977,565)	\$ 6,982,750
Beginning fund balance		17,167,896	
Ending fund balance		\$ 14,190,331	

RIVERTON CITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 2,494,878	\$ 2,434,878	\$ 2,638,251	\$ 203,373
Sales taxes	2,252,000	2,452,000	2,633,472	181,472
Franchise taxes	1,045,000	1,045,000	1,526,759	481,759
Licenses and permits	559,675	857,175	948,660	91,485
Intergovernmental revenues	1,229,000	1,221,373	887,466	(333,907)
Charges for services	534,750	953,550	954,587	1,037
Impact fees	4,846,831	5,246,831	4,422,886	(823,945)
Fines and forfeitures	212,000	303,000	315,572	12,572
Interest income	185,000	225,000	421,232	196,232
Miscellaneous	57,350	57,350	52,529	(4,821)
Total Revenues	13,416,484	14,796,157	14,801,414	5,257
Expenditures:				
Interest, debt service costs, and bond issuance costs	678,000	680,000	676,628	3,372
General Government	2,025,427	2,098,657	1,877,377	221,280
Public Safety	5,052,988	5,274,623	4,044,246	1,230,377
Highway and public improvements	3,972,350	4,044,850	1,346,259	2,698,591
Parks, recreation, and public property	1,269,725	1,496,013	1,148,283	347,730
Capital Outlay	14,546,186	16,439,686	8,990,338	7,449,348
Total expenditures	27,544,676	30,033,829	18,083,131	11,950,698
Excess of revenue over (under) expenditures	(14,128,192)	(15,237,672)	(3,281,717)	11,955,955
Other financing sources (uses):				
Proceeds from debt				
Proceeds from grants	339,000	391,000	355,524	(35,476)
Contributions	900,000	1,174,000	1,174,000	-
Proceeds from sale of assets	600,000	600,000	287,756	(312,244)
Transfers in	1,116,394	1,641,394	1,381,394	(260,000)
Transfers out	(2,163,400)	(2,938,400)	(1,381,394)	1,557,006
Total other financing sources (uses)	791,994	867,994	1,817,280	949,286
Excess of revenues and other financing sources over (under) expenditures and other uses	\$ (13,336,198)	\$ (14,369,678)	(1,464,437)	\$ 12,905,241
Unadjusted beginning fund balance			21,233,984	
Prior period adjustment				
Fund balance, beginning of year			21,233,984	
Fund balance, end of year			\$ 19,769,547	

RIVERTON CITY CORPORATION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	\$ 1,701,500	\$ 1,802,253	\$ 100,753	\$ 733,378	\$ 835,998	\$ 102,620
Sales taxes	2,452,000	2,633,472	181,472			
Franchise taxes						
Licenses and permits	847,675	948,660	100,985			
Intergovernmental revenues	1,221,373	887,466	(333,907)			
Charges for services	953,550	954,587	1,037			
Impact fees						
Fines and forfeitures	303,000	315,572	12,572			
Interest income	150,000	194,705	44,705	5,000	3,518	(1,482)
Miscellaneous	32,600	39,749	7,149	24,750	12,780	(11,970)
Total revenues	<u>7,661,698</u>	<u>7,776,464</u>	<u>114,766</u>	<u>763,128</u>	<u>852,296</u>	<u>89,168</u>
Expenditures						
Interest, debt service costs, and bond issuance costs				30,000	30,000	-
General government	1,925,680	1,765,144	160,536	114,017	72,773	41,244
Public safety	3,401,623	3,515,833	(114,210)			
Highway and public improvements	2,034,850	1,172,882	861,968			
Parks, recreation, and public property	1,022,013	947,211	74,802			
Capital outlay	1,577,400	587,263	990,137	1,700,000	814,682	885,318
Total expenditures	<u>9,961,566</u>	<u>7,988,333</u>	<u>1,973,233</u>	<u>1,844,017</u>	<u>917,455</u>	<u>926,562</u>
Excess of revenues over (under) expenditures	<u>(2,299,868)</u>	<u>(211,869)</u>	<u>2,087,999</u>	<u>(1,080,889)</u>	<u>(65,159)</u>	<u>(1,015,730)</u>
Other financing sources (uses):						
Proceeds from debt						
Proceeds from grants						
Contributions	1,174,000	1,174,000	-			
Proceeds from sale of assets	600,000	9,094	(590,906)	500,000	278,662	221,338
Transfers in	856,394	806,394	(50,000)			
Transfers out	(1,775,000)	-	1,775,000	(727,994)	(477,994)	(250,000)
Total other financing sources	<u>855,394</u>	<u>1,989,488</u>	<u>1,134,094</u>	<u>(227,994)</u>	<u>(199,332)</u>	<u>(28,662)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ (1,444,474)</u>	<u>1,777,619</u>	<u>\$ 3,222,093</u>	<u>\$ (1,308,883)</u>	<u>(264,491)</u>	<u>\$ 1,044,392</u>
Beginning fund balance		<u>2,607,657</u>			<u>1,458,431</u>	
Ending		<u>\$ 4,385,276</u>			<u>\$ 1,193,940</u>	

RIVERTON CITY CORPORATION

MANAGEMENT REPORT

For The Year Ended June 30, 2005

RIVERTON CITY CORPORATION
MANAGEMENT REPORT
For The Year Ended June 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditors' Report on State Legal Compliance	3-4
Summary Schedule of Prior Years Findings	5
Summary Schedule of Findings and Questioned Costs	6



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of the City Council
Riverton City Corporation
Riverton, Utah

We have audited the financial statements of governmental activities, the business-type activities, fiduciary fund, each major fund, and the aggregate remaining fund information of Riverton City Corporation, Utah, as of and for the year ended June 30, 2005, which collectively comprise Riverton City Corporation, Utah, basic financial statements and have issued our report thereon dated November 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverton City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverton City Corporation's, Utah, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of Riverton City Corporation in the accompanying *Schedule of Findings and Questioned Costs*.

This report is intended solely for the information and use of the Mayor, City Council and management of Riverton City Corporation, the Utah State Auditor's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co. P.C.

Sandy, Utah

November 2, 2005



INDEPENDENT AUDITORS' REPORT ON
LEGAL COMPLIANCE WITH APPLICABLE
UTAH STATE LAWS AND REGULATIONS

Honorable Mayor and
Members of City Council
Riverton City Corporation
Riverton, Utah

We have audited the financial statements of the governmental activities, the business-type activities, fiduciary fund, each major fund, and the aggregate remaining fund information of Riverton City Corporation, for the year ended June 30, 2005, and have issued our report thereon dated November 2, 2005. As part of our audit, we have audited Riverton City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah.

B&C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Justice Courts Compliance
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees

The management of Riverton City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying *Schedule of Findings and Questioned Costs*. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Riverton City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

This report is intended solely for the information of management and the Utah State Auditors, and is not intended to be and should not be used by anyone other than the specified parties.

Wiggins & Co. P.C.
Sandy, Utah
November 2, 2005

RIVERTON CITY CORPORATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended June 30, 2005

FINANCIAL STATEMENT AUDIT – FINDINGS FOR YEAR ENDED 2004

#1 PUBLIC TREASURER BOND

Finding

The City did not have a public treasurer bond for the proper amount. They had a bond for \$800,000. The required bond amount based on the previous years budgeted revenue required a bond in the amount of \$ 1,000,000.

Recommendation

The City should obtain a bond for the proper amount.

Response

Riverton City will get a bond for the required amount.

Current Status

The City complies with bonding requirements.

RIVERTON CITY CORPORATION
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – CURRENT PERIOD

#1 BUDGETARY COMPLIANCED

Finding

The City shall not incur expenses in excess of the budget in any department of the general fund.
The City's actual expenses in the following departments exceeded budget:

	<u>Budget</u>	<u>Actual</u>	<u>Amount Exceeded</u>
Public safety	\$ 3,401,623	\$ 3,515,833	\$ (114,210)

Recommendation

The City should control expenses to comply with the budgets.

Response

Riverton City will comply.